



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 19, 2012

TO: Supervisor Zev Yaroslavsky, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy L. Watanabe*  
Auditor-Controller

SUBJECT: **PERSONAL ASSISTANCE SERVICES COUNCIL OF LOS ANGELES  
COUNTY – A DEPARTMENT OF PUBLIC SOCIAL SERVICES IN-HOME  
SUPPORTIVE SERVICES PROGRAM PROVIDER – CONTRACT  
COMPLIANCE REVIEW**

We completed a review of Personal Assistance Services Council of Los Angeles County (PASC or Agency), a Department of Public Social Services (DPSS) In-Home Supportive Services (IHSS) Program provider. At DPSS' request, our review covered a sample of transactions from Fiscal Year (FY) 2009-10. The IHSS Program helps pay for assistance (i.e., medical and personal care, household chores, etc.) for individuals who are eligible for in-home services (clients). DPSS contracts with PASC, which was established by the County Board of Supervisors, to administer and provide intermediary services for the IHSS Program, including enrolling and training service providers, and matching clients with service providers.

The purpose of our review was to determine whether PASC appropriately accounted for and spent IHSS Program funds to provide the services outlined in their County contract during FY 2009-10. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with the contract and other applicable guidelines.

DPSS paid the Agency approximately \$3.6 million on a cost-reimbursement basis during FY 2009-10. PASC provides services to residents of all Supervisorial Districts.

### **Results of Review**

PASC provided services in compliance with their County contract, and their staff had the required qualifications. However, PASC did not always comply with all of the County contract requirements. Specifically, PASC:

- Billed DPSS for \$11,061 in unsupported or unallowable equipment, communications, and travel expenditures.

*PASC's response (Attachment I) indicates they will provide documentation to support the questioned expenditures.*

- Did not maintain a current fixed assets and equipment listing, did not conduct annual inventories, did not track the disposal of equipment, did not have procedures to track the location of its equipment, and did not report lost equipment to DPSS.

*PASC's response indicates that they have started tagging all equipment, monitoring additions to equipment, and will report any lost equipment to DPSS. However, the Agency's response does not clearly indicate their plans for maintaining a complete and accurate inventory list, conducting complete inventories semi-annually, and tracking the location and disposal of fixed assets and equipment. PASC management agreed to take action to address these areas during our exit conference.*

- Did not require their full-time salaried employees to complete or sign time cards.

*PASC's attached response indicates that they will work with DPSS to implement an appropriate time certification for the Agency's employees.*

Some of the issues noted above may have been prevented if DPSS' contract with PASC had included more specific expenditure requirements, and if DPSS had monitored PASC's operations to ensure compliance. DPSS needs to develop more specific expenditure requirements, amend the IHSS Program contract where necessary, and monitor PASC for compliance.

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with PASC and DPSS on November 3, 2011. PASC's and DPSS' responses (Attachments I and II, respectively) indicate general agreement with our findings and recommendations. DPSS management indicated that they will take appropriate action, including working with PASC to ensure that our recommendations are implemented, and any overpayments are recovered.

Board of Supervisors  
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We thank PASC and DPSS for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:JLS:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer  
Sheryl L. Spiller, Acting Director, DPSS  
Chris Otero, Board Chair, PASC  
Greg Thompson, Executive Director, PASC  
Public Information Office  
Audit Committee

**PERSONAL ASSISTANCE SERVICES COUNCIL OF LOS ANGELES COUNTY  
IN-HOME SUPPORTIVE SERVICES PROGRAM  
FISCAL YEAR 2009-10**

**ELIGIBILITY**

**Objective**

Determine whether Personal Assistance Services Council of Los Angeles County (PASC or Agency) verified eligibility of service providers before enrolling them in the In-Home Supportive Services (IHSS) Program.

**Verification**

We reviewed the files for eight (2%) of the 351 service providers, who PASC matched with clients during May and June 2010, for documentation to confirm the providers' eligibility.

**Results**

PASC had documentation of eligibility for the eight providers reviewed.

**Recommendation**

None.

**PROGRAM SERVICES**

**Objective**

Determine whether PASC provided services in accordance with their County contract and IHSS Program guidelines. In addition, determine whether the clients and providers received the billed services.

**Verification**

We visited the PASC service site, interviewed PASC's staff, and reviewed the files for eight (2%) of the 351 providers who were matched with clients, and the files for seven (2%) of the 375 clients who were matched with providers during May and June 2010.

**Results**

PASC provided services in accordance with their County contract.

**Recommendation**

None.

**STAFFING QUALIFICATIONS**

**Objective**

Determine whether PASC's staff had the qualifications required by the County contract.

**Verification**

We reviewed the personnel files for eight (33%) of the 24 PASC employees who worked on the IHSS Program.

**Results**

PASC's staff had the required qualifications.

**Recommendation**

None.

**REVENUE**

**Objective**

Determine whether PASC recorded revenue in the Agency's financial records properly.

**Verification**

We interviewed PASC management, and reviewed the Agency's financial records.

**Results**

PASC recorded its revenue properly.

**Recommendation**

None.

**EXPENDITURES/PROCUREMENT****Objective**

Determine whether expenditures charged to the IHSS Program were allowable under the County contract, properly documented, and accurately billed.

**Verification**

We interviewed PASC's personnel, and reviewed financial records and documentation for \$131,418 in non-payroll expenditures that the Agency charged to the IHSS Program in May and June 2010. Specifically, we reviewed \$10,707 in equipment and communications expenditures, \$4,542 in travel expenditures, and \$116,169 in other expenditures (i.e., rent, supplies, etc.).

**Results**

We noted that \$4,704 (44%) of the \$10,707 in equipment and communications expenditures, and \$1,570 (35%) of the \$4,542 in travel expenditures reviewed were unsupported or unallowable. We also expanded our sample, and noted an additional \$2,550 in inappropriate communications expenditures. Specifically, PASC billed:

- \$3,909 for computers that the Agency purchased and then returned for store credit in July 2010, instead of obtaining a refund and crediting the IHSS Program. We expanded our review, and noted an additional \$2,237 in computer equipment that was returned for store credit. During our review, PASC's Information Technology (IT) Director indicated that she had forgotten about the store credit and, one week after our inquiry, used all of the store credit to purchase additional computer equipment. However, we noted that the Agency already had surplus computer equipment, and PASC could not demonstrate the need for the additional equipment because their inventory listing was not accurate or complete.
- \$703 for an iPad that appeared unnecessary. During our exit meeting, PASC indicated that they bought the original iPad for their Director before realizing that the Director wanted a different model that had an additional feature. The Agency then purchased the other model, and is keeping the original iPad as a back-up, instead of using it, or selling it and refunding the revenue to the IHSS Program.
- \$2,642 paid to an employee for phone, television, and internet charges for her home while she was telecommuting. Specifically, PASC paid 60% of the employee's utility bills, with no basis for the percentage the Agency paid. In addition, reimbursing an employee's home cable television cost is unallowable.
- \$1,570 for unsupported travel expenditures. Specifically, PASC did not have documentation, such as meeting agendas or conference memos, detailing the purpose and results of trips, totaling \$1,000. In addition, the Agency only had



documentation justifying one night of lodging during a trip to Sacramento, but billed the IHSS Program for two additional nights, totaling \$570.

Some of the issues noted above may have been avoided if the Department of Public Social Services' (DPSS) contract with PASC included more specific expenditure requirements, and if DPSS had monitored PASC to ensure compliance. DPSS needs to develop more specific expenditure requirements, amend the contract where necessary, and monitor PASC to ensure the Agency complies with the contract expenditure requirements.

### **Recommendations**

#### **PASC management:**

1. **Review and re-allocate all reimbursement expenditures for employee home communications using an allowable allocation method, and repay DPSS any overbilled amounts.**
2. **Provide DPSS with documentation demonstrating the need for the \$8,419 (\$3,909 + \$2,237 + \$703+ \$1,570) in computer equipment and travel expenditures, or repay DPSS.**
3. **Ensure that non-payroll expenditures billed to the IHSS Program are allowable, properly documented, and in compliance with the County contract.**

#### **DPSS management:**

4. **Develop more specific expenditure requirements, amend their IHSS Program contract where necessary, and monitor PASC to ensure compliance with the contract expenditure requirements.**

### **FIXED ASSETS AND EQUIPMENT**

#### **Objective**

Determine whether PASC's fixed assets and equipment purchased with IHSS Program funds were used for the Program and were safeguarded.

#### **Verification**

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory listing. We also performed a physical inventory of 17 items purchased with IHSS funds in prior years to verify the items exist, and were being used as required.

**Results**

In addition to the unnecessary or unsupported computer equipment expenditures discussed earlier, we noted significant weaknesses in PASC's controls over its fixed assets and equipment inventory. The Agency's records indicate that they should have had over \$881,000 in fixed assets and equipment. However, the Agency:

- Did not maintain a current fixed asset and equipment listing. PASC could only provide us with a list from 2007, three lists of equipment purchased during the past three fiscal years, and a computer equipment list. In addition, we noted the lists were not accurate or complete. Specifically, eight (47%) of the 17 items reviewed on the lists did not have an asset identification number on record, six (35%) items did not have a purchase date or acquisition cost, and one (6%) item had an inaccurate asset identification number.
- Did not conduct an annual inventory as required. PASC management indicated that they have never conducted a complete inventory. It should be noted that the contract was amended in June 2011 to require PASC to conduct an inventory semi-annually.
- Did not track the disposal of equipment, and did not have any documentation to account for any revenue that should have been credited to the IHSS Program.
- Did not have procedures to track the location of their equipment. The records PASC had did not always indicate the location of their equipment. For example, at the time of our review, the IT Director was storing at least two laptop computers, an iPad, a netbook computer, and a computer monitor at her home.
- Did not report equipment losses to DPSS as required. During 2010, the IT Director lost a smartphone and a laptop.

**Recommendations****PASC management:**

5. **Maintain a complete and accurate fixed assets and equipment inventory listing.**
6. **Conduct a complete fixed assets and equipment inventory semi-annually.**
7. **Track the disposal of fixed assets and equipment, and credit any revenue to the IHSS Program.**
8. **Develop procedures to track the location of their equipment.**



9. Report any lost or stolen fixed assets or equipment to DPSS immediately.

**DPSS management:**

10. Obtain an inventory list from PASC and documentation that they inventory their fixed asset and equipment semi-annually, and monitor to ensure compliance with fixed assets and equipment requirements.

### **PAYROLL AND PERSONNEL**

#### **Objective**

Determine whether PASC charged payroll costs to the IHSS Program appropriately. Also, determine whether PASC obtained required criminal background clearances and employment eligibility for IHSS Program employees.

#### **Verification**

We traced the payroll costs for eight employees, totaling \$49,096, for June 2010 to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for eight IHSS Program staff.

#### **Results**

PASC does not require their full-time salaried employees to complete time cards. As a result, the Agency did not have time and attendance records for five (63%) of the eight employees reviewed. In addition, PASC did not maintain documentation that they had obtained criminal background clearances for the eight employees reviewed. After our review, the Agency obtained criminal background clearances for the eight employees.

#### **Recommendations**

**PASC management:**

11. Ensure all employees certify the time they work by completing and signing time and attendance records.
12. Maintain documentation of criminal background clearances for all IHSS Program employees.

**UNSPENT REVENUE**

**Objective**

Determine whether PASC had any unspent revenue for the IHSS Program during Fiscal Year (FY) 2009-10 that may need to be repaid to DPSS.

**Verification**

We traced the total revenues and expenditures indicated in PASC's accounting records to DPSS' payment records.

**Results**

PASC did not have any unspent revenue for FY 2009-10.

**Recommendation**

None.



Personal Assistance  
Services Council  
Of  
Los Angeles County

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Simon Golledge  
Chief Financial Officer

December 1<sup>st</sup>, 2011

Wendy L. Watanabe  
Auditor Controller  
Los Angeles County  
500 W Temple St  
Los Angeles CA 90012

Dear Ms Watanabe:

Re: Contract Compliance Review: FY 2009-2010

RESPONSE TO CONTRACT COMPLIANCE REVIEW

Equipment, Communications & Travel:

\$3,909 and \$2,237: These amounts were for 3 and 2 complete desktop computer systems and part of an overall upgrade of 2004-2006 computers and associated software which were becoming obsolete and part of a replacement cycle. The desktop computers delivered were returned to Dell shortly after receipt because of the wrong operating system being installed. Dell Corporation issued PASC with a credit the following month for replacement items, which Dell would supply when the new operating software was available. This was at a time when Windows 7 was being implemented and customers were experiencing a number of software problems. However the resolution of these problems was protracted and PASC did not obtain replacements until the end of the following year, but did receive full replacements with the new software at no extra cost.

Action: PASC will provide DPSS with documentation for the above purchases.

\$703: The amount was the purchase of an original IPAD. The unit was used for several months, but a new unit was purchased with new technology, which was capable of being able to synchronize with the email server, which had considerable advantages to the user. The old unit was held in reserve.

Action: The unit will be deployed

\$92 & \$2,550: These amounts related to part reimbursement of the IT staff home telephone and Internet services. The reimbursement rate was estimated at 60% of a total bundle cost (comprising phone, internet and television). The 40 % was the deduction for the TV service, which was not allowable for reimbursement. PASC management had agreed to reimburse the telephone/ internet lines in order to have remote access to the PASC server systems for the purposes of extensive off hours maintenance required (outside of normal business hours and week ends) to keep systems operational. Most maintenance (covering both computer systems and telephone operating systems) has to be performed out of hours in order not to disrupt staff work schedules. Such maintenance requires a landline and cannot be performed via cell phones, which do not have the capability or security (being wireless) to access the computer network. The alternative would be to operate an off hours shift using additional trained staff.

Action: PASC will obtain quotes to see if a cheaper alternative is available to meet the off hours requirement or, alternatively, install a separate business line to the off site location and agree the best course of action with DPSS.

Other Items: These comprises the following amounts:

\$234.09: This relates to travel expenditures to Oakland for a site visit to a contractor as part of a routine monitoring procedure to ensure compliance of eligibility data to the IHSS workers health plan. PASC provided copies of the health plan data tests to the A-C staff.

\$320.80: This relates to travel costs for a meeting with the PASC insurance broker in San Francisco concerning the Public Authority's insurance coverage. This meeting was scheduled with another meeting in Oakland to reduce travel costs.

\$407.53: This relates to travel costs to Oakland to meet with contractors to discuss and view security arrangements for data systems for new programs to support a system to handle IHSS provider data in compliance with new state requirements for background checks which the Public Authority had been contracted to undertake.

\$37.50: This relates to a meal in excess of the new daily meal rate operated by DPSS staff. The Public Authority was only provided with the maximum meal rates in July 2011 because the original memo was only issued to DPSS staff and not to the Public Authority. PASC has agreed to operate within these DPSS guidelines for accommodation and meal daily rates.

\$570: This relates to a Board Member's travel to Sacramento. PASC provided the schedule to the A-C staff of the meetings attended by the Board Member covering the period 5/24/11 through 5/27/11. This involved two full days of meetings and travel time to get to and from Sacramento.

Action:

The meal expense, to the extent that it exceeded the DPSS approved meal rates, will be reimbursed to the County.

PASC will provide further any additional explanations or documentation relating to the other items on request.

Fixed Assets and Equipment:

PASC broadly accepts the A-C's recommendation and is currently tagging all equipment, which will be completed by December 31<sup>st</sup>. Which will include the location and cost. Additions to equipment are also being monitored and will be recorded and tagged to the same date. Updates will be performed six monthly in compliance with the new contract for FY 2011/12.

PASC requests that the A-C provides the list of those equipment items that it could not trace in its audit tests for tracing and following up on cost information.

Whilst PASC did not report to DPSS the loss of a laptop and cell phone, the items were reported to the Police and a report filed. PASC provided the A-C with a copy of the police report. In addition PASC, at the time of the loss, reviewed its insurance policies with a view to recovery under the policies. However the amount of the loss was below the threshold for recovery.

In future, any losses will be reported to DPSS. There have been none since the loss referred to in the preceding paragraph.

Action will be taken out as described in detail above.

Personnel costs:

Timecards: PASC does operate a timecard system for all non-exempt staff. However no timecards are used for exempt staff (who are not paid by the hour). Exempt staff report of any time taken off sick and/or vacation taken (with prior approval) to their immediate supervisor and the HR manager. In view of the A-C recommendation, PASC will seek legal counsel's advice on the use of timecards for exempt staff as to whether it could prejudice exempt staff status and/ or lead to potential claims for unpaid overtime. The current recommendation from the California Chamber of Commerce is that requiring 'exempt' employees to keep 'in and out' time records is counterproductive in maintaining exempt status.

Action:

PASC will discuss with DPSS an appropriate form of time certification which both meets the above concerns of employees' exempt status and the County's contractual requirements.

Criminal Background Checks:

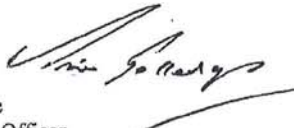
PASC performs CBI checks on all its employees shortly after hiring, using the California Dept of Justice system. However this system has a number of requirements and, if violated, the agency will lose its authority to perform DOJ checks. One requirement is that the DOJ written report cannot be kept for more than 30 days unless there is a valid reason to do so (as where a report is subject to clarification or appeal). Second, an approved DOJ custodian can only see the report. For these reasons, PASC did not maintain a copy of the record on the HR file.

In order to assist the A-C, PASC agreed to re-run all staff CBI checks using a private agency (not DOJ) so that the proof or clearance could then be held on file. PASC proceeded with this and all staff cleared and passed, subsequent to the A-C visit.

Action:

A private agency will be used to perform CBI checks for all future staff hires with the associated reports held on personnel files.

DOJ checks will no longer be performed on staff due to the restrictive regulations on retaining and audit inspection of CBI reports.

  
Simon Gollledge  
Chief Financial Officer



County of Los Angeles  
**DEPARTMENT OF PUBLIC SOCIAL SERVICES**

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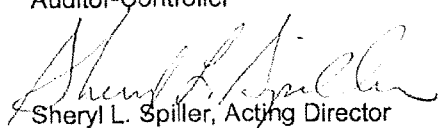


SHERYL L. SPILLER  
Acting Director

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Fifth District

December 8, 2011

TO: Wendy L. Watanabe  
Auditor-Controller

FROM:   
Sheryl L. Spiller, Acting Director

SUBJECT: **PERSONAL ASSISTANCE SERVICES COUNCIL OF LOS ANGELES  
COUNTY – A DEPARTMENT OF PUBLIC SOCIAL SERVICES IN-HOME  
SUPPORTIVE SERVICES PROGRAM PROVIDER – CONTRACT  
COMPLIANCE REVIEW**

This is to provide the Department of Public Social Services' (DPSS) response for recommendations #4 and #10 of the subject report pertaining to DPSS. The two recommendations and responses are as follows:

**Recommendation #4**

Develop more specific expenditure requirements, amend their In-Home Supportive Services (IHSS) Program contract where necessary, and monitor Personal Assistance Services Council (PASC) to ensure compliance with the contract expenditure requirements.

**Response**

DPSS is in agreement with amending the PASC contract to include specific expenditure requirements. DPSS will incorporate these requirements into the PASC contract scheduled to be renewed effective July 1, 2012.

**Recommendation #10**

Obtain an inventory list from PASC and documentation that they conduct a fixed asset and equipment inventory semi-annually, and monitor to ensure compliance with fixed assets and equipment requirements.

*"To Enrich Lives Through Effective And Caring Service"*



Wendy L. Watanabe  
December 8, 2011  
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**Response**

On November 3, 2011, DPSS completed an inventory list of all County-owned PASC computer equipment, and ensured that this equipment was bar coded. DPSS' Contract Management Division will monitor this equipment on an annual basis.

If you have any questions, please let me know or your staff may contact Walter Chan, Contract Management Division Chief at (562) 908-3001.

SLS:rh

